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C O R R E C T E D C O P Y (SUBJECT TEXT)

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SUBJECT: CUSTOMS GIANT FALLS AMID RUMORS OF SMUGGLING AND CORRUPTION

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¶1. (SBU) On February 19, Head of Customs for Cargo at Zvartnots Airport Karen Janoyan was fired along with four colleagues reportedly for smuggling mobile phones into Armenia. The dismissal has sparked some speculation that it may herald a new era of customs reform in Armenia, but most observers remain skeptical, speculating that Janoyan overestimated his authority to cut side deals or failed to grease the right palms.

¶2. (SBU) The position of head of customs for cargo at Zvatnats Airport, by far Armenia's largest international airport, is one of the most influential and potentially lucrative within Armenia's notoriously corrupt customs service. It is widely rumored that candidates are expected to pay large bribes to secure the position and have to make regular off-book payments to the Head of Armenian Customs to stay in the job. Top customs officials at large ports of entry are willing to make such payments because they are able to extort bribes from people seeking to bring goods across the border. Press reports state that Janoyan does indeed own a large house in an exclusive area of Yerevan which far exceeds what he could afford on his official government salary.

¶3. (SBU) Janoyan is reported to have been caught importing cell phones for someone other than the President's older son, Sedrak Kocharian, who controls the de facto monopoly on mobile phone imports. Officials are unwilling to comment publicly about the case on the grounds that it is currently under investigation, but have confirmed the basic details to us in private conversations. There was also a similar case in May 2006, in which one of the leading prosecutors in Armenia, Hamlet Hovsepyan, was dismissed in connection with an illegal attempt to import USD 70,000 worth of cell phones through Zvartnots Airport, adding credibility to the current reports.

¶4. (SBU) According to the airport manager and USG assistance implementers who routinely clear large shipments through the airport, the change in customs personnel has not affected customs service. Another high-ranking customs official has replaced Janoyan and goods are still being cleared. Many speculate that there will be further personnel changes in the Zvartnots customs service because the new head will want to offer the potentially lucrative customs jobs at the airport to his friends and cronies.

¶5. (SBU) COMMENT: President Kocharian has pledged on numerous occasions to clean up Armenia's notoriously corrupt customs service (reftel). At this point, however, it appears that Janoyan may be being punished for being overly ambitious in rent-seeking behavior rather than as part of a legitimate reform effort.

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